

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

COMMONWEALTH EDISON COMPANY)

)

Petition for declaration of service currently)
provided under Rate 6L to 3 MW and greater)
customers as a competitive service pursuant)
to Section 16-113 of the Public Utilities Act)
and approval of related tariff amendments.)

Docket No. 02-0479

Corrected Direct Testimony of

Robert R. Stephens

On behalf of

Illinois Industrial Energy Consumers

Project 7856
August 30, 2002



BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

Docket No. 02-0479

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9 A This information is included in Appendix A to my testimony.

1 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

2 A I am appearing on behalf of the Illinois Industrial Energy Consumers (IIEC). IIEC
3 members purchase substantial quantities of electric power or delivery service from
4 Commonwealth Edison Company ("ComEd" or "Company"). All are 3 MW or larger in
5 size.

6 **Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?**

7 A I discuss various aspects of ComEd's proposal, how alternative retail services compare
8 to Rate 6L service, the uncertain future of alternative providers for customers 3 MW and
9 larger in the ComEd territory, the shortcomings of ComEd's Rate HEP – Hourly Energy
10 Pricing (Rate HEP) as the sole bundled service offering, and how customers are harmed
11 by ComEd's proposal.

12 **SUMMARY OF FINDINGS**

13 **Q PLEASE SUMMARIZE YOUR FINDINGS.**

14 A My findings can be summarized as follows:

- 15 • ComEd's evidence in this case is conspicuously lacking in information about the
16 nature, prices, terms and conditions of service offered by the non-affiliated
17 suppliers to customers 3 MW or greater. Rather, ComEd relies on inference,
18 based on information on customer switching, as an indication of comparability of
19 service, rather than direct evaluation, definition or analysis.
- 20 • Alternative power supply certainly is not equivalent substitute service to Rate 6L,
21 as there are many differences between retail electric supplier (RES) power
22 supply arrangements and ComEd's Rate 6L service. In my judgment, RES
23 power supply arrangements observed to date are not reasonably equivalent
24 substitute services for Rate 6L.
- 25 • The availability of alternative supply service varies widely among customers in
26 my experience. The process of acquiring alternative service from a RES is
27 generally a much more complex and time consuming process. When compared
28 to the relative ease of entering into, or continuing, power supply arrangements
29 with ComEd under Rate 6L, alternative services are certainly less available. With
30 relatively few choices of alternative suppliers today, and potentially significantly
31 fewer in the future, the availability of substitute services is significantly limited.

- 1 • It is impossible to conclude that the ultimate level of prices under RES supply is
2 comparable to Rate 6L service. ComEd certainly has not proven that they are.
3 Because of the volatility due to CTC exposure inherent within the current delivery
4 service tariffs, alternative supply prices would be better described as
5 "contrastable" rather than "comparable" to Rate 6L prices.
- 6 • According to ComEd, there are five non-affiliated RESs that were directly serving
7 customers 3 MW or greater as of June 2002. There is a shroud of uncertainty
8 surrounding the future ability of these five suppliers to compete in the ComEd
9 territory, coming from at least four different areas.
 - 10 ○ The frustrating effect on the development of competition that derives from
11 the decision of the Appellate Court of Illinois, Fifth District, with regard to
12 the application of the "reciprocity clause."
 - 13 ○ The uncertainty regarding the RESs ability to operate in an uncertain
14 RTO environment, particularly where a RES's generating resources may
15 be located in a different RTO than its customers, as suggested by IIEC
16 witness James Dauphinais.
 - 17 ○ The continued financial viability and ability to remain certified is a concern
18 for some of the RESs.
 - 19 ○ All suppliers likely will be affected by the uncertainty associated with the
20 Federal Energy Regulatory Commission's Standard Market Design Notice
21 of Proposed Rulemaking, as discussed by IIEC witness James
22 Dauphinais.
- 23 In consideration of all of these uncertainties, I have reviewed the circumstances
24 of each of the five RESs currently serving customers of 3 MW or greater in the
25 ComEd territory and concluded there is uncertainty surrounding each of the five.
- 26 • Given the current situation, and the possible future of the five non-affiliated
27 RESs, I have little confidence that there will be a vibrant competitive retail electric
28 market for customers 3 MW or greater in the ComEd territory at the times Rate
29 6L would be closed and withdrawn under ComEd's proposal (June 2003 and
30 June 2006, respectively), even if one were to assume that one exists today,
31 which I do not.
- 32 • Rate HEP is an inferior rate option to ComEd's Rate 6L service and Rate RCDS
33 with Rider PPO. This has been demonstrated by Rate HEP's dismal failure to
34 attract customers in the nearly four years that it has been in place. Most
35 customers are not interested in prices that vary by hour and they tend to want
36 more predictability in pricing than is afforded by prices that vary by hour and are
37 not known until a few hours before the start of a day.
- 38 • The monthly access charge under Rate HEP retains a link for ComEd to Rate 6L
39 revenues (even though Rate 6L may be closed) and poses significant financial
40 exposure to customers through its demand charge structure. The monthly
41 access charge has no bearing on any aspect of ComEd's cost structure going
42 forward and is probably the number one detriment to the viability of Rate HEP.
43 Inasmuch as it provides for full recovery of lost revenue, for an indefinite period,

1 the monthly access charge is analogous to ComEd's customer transition charge
2 (CTC), but is significantly worse for customers.

- 3 • There are at least three particular aspects of ComEd's proposal that are directly
4 harmful to customers:
- 5 ○ If viable competitive options do not develop, ComEd will have absolved
6 itself of price risk, as the hourly energy prices under Rate HEP will be
7 market based, while at the same time ComEd will have locked in
8 regulated rate-based revenues through the monthly access charge.
9 ComEd suggests a need to move away from the vestiges of regulated
10 rates, however it has not indicated a willingness to give up Rate 6L
11 revenues inherent within Rate HEP over the long term, or CTC revenues
12 in the short term.
 - 13 ○ Under ComEd's proposal, customers who are contractually bound to
14 suppliers for periods extending beyond June 2003 would be precluded
15 from ever having the option of Rate 6L service again and had no way to
16 know in advance of such an eventuality and therefore had no chance to
17 choose to return to Rate 6L service.
 - 18 ○ PPO customers are potentially harmed by ComEd's proposals if,
19 consistent with ComEd's expressed desire in this case, the Rider PPO
20 tariff should be limited or otherwise made detrimental, subsequent to
21 June 2003. This is because such customers will have been effectively
22 deprived of the right to return to Rate 6L from suddenly unfavorable PPO
23 service under the ComEd proposal. This could also happen under the
24 "normal" operation of the PPO tariff, should customers become ineligible
25 for PPO service, even temporarily.
 - 26 • In summary, ComEd's proposal appears to benefit ComEd or its affiliate (or a
27 combination of both) but such benefit may come largely at a cost to customers 3
28 MW and above. The Commission should reject ComEd's Petition.

29 My analysis has been hindered by ComEd's failure to respond to data requests in
30 a complete manner. ComEd has withheld relevant information related to the suppliers
31 and nature and level of competition in its territory, under the guise of irrelevance (by its
32 unilateral standard) and confidentiality restrictions, despite the fact that I, and other IIEC
33 witnesses, executed a confidentiality agreement. I hereby reserve the right to
34 supplement my testimony if additional information is received.

COMPARABILITY OF ALTERNATIVE RETAIL ELECTRIC SUPPLY TO RATE 6L SERVICE

Q WHAT IS THE STANDARD UNDER SECTION 16-113 OF THE ILLINOIS PUBLIC UTILITIES ACT (THE ACT) FOR DETERMINING WHETHER AN ALTERNATIVE SERVICE IS COMPARABLE TO COMED RATE 6L?

A Section 16-113(a) states the following in pertinent part:

"The Commission shall declare the service to be a competitive service . . . if the service or a reasonably equivalent substitute service is reasonably available to the customer segment . . . at a comparable price from one or more providers other than the electric utility or an affiliate of the electric utility..."

~~I am advised by counsel that the Act does not explain specifically the criteria to be used by the Illinois Commerce Commission (ICC or Commission) to determine if a "reasonably equivalent substitute service" is reasonably available to the customer segment or group, or what constitutes a comparable price.~~

Consequently, it is important to examine the nature of the alternative supply offerings to date in order for the Commission to determine, in its judgment, whether the statutory criteria are met. Unfortunately, ComEd's evidence in this case is conspicuously lacking in any information about the nature, prices, terms or conditions of service offered by the non-affiliated suppliers to customers 3 MW or greater. Indeed, in response to IIEC Data Request 1-6, ComEd indicates that it does not have in its possession any contracts between customers and RESs. Hence, an analysis by ComEd of the comparability of such contracts has not been provided.¹ Rather, ComEd relies on inference, based on information on customer switching as an indication of comparability of service, rather than direct evaluation, definition or analysis.

¹ ComEd witness John H. Landon provided a summary listing of RESs and offerings in his attachment JHL-2. However, the information is promotional in nature (websites) and lacking adequate detail on service terms to yield meaningful analysis. Further, only one of the non-affiliated RESs shown on JHL-2 is serving customers 3 MW or greater.

1 **Q ARE YOU FAMILIAR WITH ANY ARRANGEMENTS BETWEEN CUSTOMERS AND**
2 **RESs THAT INDICATE THE GENERAL NATURE OF THE SERVICE AND THE**
3 **PRICES, TERMS AND CONDITIONS?**

4 **A Yes, I have been involved with a number of customers and RESs over the last three**
5 years related to alternative electric supply.

6 **Q PLEASE DESCRIBE COMED RATE 6L SERVICE.**

7 **A A copy of the ComEd Rate 6L tariff taken from the ComEd website is attached to this**
8 testimony for convenience as **IIEC Exhibit 4.1**. Rate 6L is a fairly straightforward
9 bundled utility service rate available generally to customers 1 MW or greater in the
10 ComEd territory. Salient points of the rate are itemized below:

- 11 • It is available as Large General Service – Time of Day or Large General
12 Service - Heating With Light. Large General Service Heating With Light is
13 applicable only to customers or their successors with electric space heating
14 taking service under the heating with light provisions of Rider 25 prior to
15 November 23, 1977.
- 16 • It is available to any customer in the size category that qualifies for the rate.
- 17 • Customers must sign a 24-month contract before first receiving service
18 thereunder, with automatic 12-month renewal. However, customers have the
19 right to terminate the contract at any time on 30 days written notice.
- 20 • The three basic charges are monthly customer charge, demand charge and
21 energy charge.
- 22 • The customer charge is either \$246.39 or \$524.61, depending on whether
23 customer's maximum demand exceeds 10 MW.
- 24 • The demand charges are \$16.41 per kW for summer months and \$12.85 per
25 kW for all other months.²
- 26 • The energy charges under Large General Service – Time of Day are 5.022¢
27 per kWh during peak periods and 2.123¢ per kWh during off-peak periods.³

² Under the Large General Service – Time of Day option (only), there is also a second block demand rate for all kW above 10 MW in a month.

- There is no minimum or maximum level of energy that must be purchased or consumed in any period.
- There is no minimum or maximum level of demand that must be purchased or consumed in any period.
- Customers are not required to notify ComEd if there are to be material variations in usage patterns.
- There is a ceiling on the average price per kWh to be paid at 20.502¢ per kWh in any month.
- There is a provision for proration of demand charges in cases where customer has an abrupt decrease of load due to seasonal or vacation variations in load.
- There is no provision in Rate 6L for negotiation of any of the prices, terms or conditions.
- Various riders are available in conjunction with Rate 6L (e.g., interruptible power)
- The customer takes title to the power at its premises.

**Q WHAT IS THE GENERAL FORM OF RES PRODUCTS AVAILABLE TO CUSTOMERS
3 MW OR GREATER IN THE COMED MARKET TO DATE?**

A I have no way of knowing all of the options available to such customers, as I have not worked with all such customers. However, of the supply offers that I have reviewed, most, if not all, fall into the two general categories of either a fixed commodity rate, with a pass-through of delivery related charges, or a "bundled" rate wherein energy and delivery related charges are implicit in the price paid by customers. Sometimes in this latter category, the agreed price is based in some fashion on the bundled rate from the utility.

 In addition, most, if not all, of the contracts I have reviewed for customers of 3 MW and above include provisions for maximum and/or minimum usage levels. These maximums and minimums can apply on a monthly basis, annually, or both. Further,

³ The energy charges under Large General Service – Heating With Light are structured somewhat differently, using a three-block pricing structure, as shown in **IIEC Exhibit 4.1**.

1 some of the contracts provide for the customer to give notice of material variations in
2 expected usage over time. Alternatively, energy imbalance charges are assessed.

3 RES contracts tend to specify that power will be delivered, and title transferred,
4 not at the customer's meter or premises, but often at some point on the transmission
5 delivery system.

6 In addition, RES contracts generally contain provisions for force majeure and
7 provisions for events of default. Counterparty risk from RESs to customers was a
8 relatively minor concern a year ago but has become significant in recent months, due to
9 the decline of energy companies such as Enron. By their very nature, RES contracts are
10 riskier than bundled Rate 6L service, where counterparty risk has traditionally not been a
11 concern for customers.

12 Finally, I have not reviewed a RES contract wherein a discount is given for
13 interruptibility of load, in a form similar to traditional utility interruptible rates.⁴

⁴ In response to IIEC Data Request 1-54, ComEd indicates that it is aware of at least one active RES that is offering a curtailment program similar to ComEd's Voluntary Load Response And System Reliability Initiative Experiment. This type of program is relatively new to ComEd and is significantly different from the traditional type of interruptible rate, wherein certain charges are discounted for giving the utility a right to call interruptions, whether or not this right is exercised.

1 **Q IN RESPONSE TO THE CITY OF CHICAGO DATA REQUEST 2.22, COMED STATES**
2 **AS FOLLOWS:**

3 **'REASONABLY EQUIVALENT SERVICE' REFERS TO ANY SIMILAR**
4 **PRODUCT OFFERINGS FROM THE RESs THAT THE CUSTOMERS DEEM**
5 **TO BE COMPARABLE, ENOUGH SO, AS TO PROMPT THEM TO SWITCH.**
6 **IT CAN ALSO BE LOGICALLY CONCLUDED THAT CUSTOMERS WHO**
7 **SWITCH DETERMINE THE RES's PRODUCT OFFERING TO BE BETTER**
8 **THAN 'REASONABLY EQUIVALENT.'**

9 **DO YOU AGREE?**

10 **A** No. ComEd's logic is faulty. The first sentence is a tautology, as the phrase "similar
11 product offerings" presupposes the hypothesis. The second sentence fails to
12 acknowledge the fact that customers can choose between vastly different options, but
13 this does not make them "reasonably equivalent" in the normal sense of the word. To
14 illustrate, one could choose to purchase a brand new luxury car, recognizing the
15 amenities, prestige and long-term viability of the car. Alternatively, one could choose to
16 buy a compact economy car, in recognition of its relatively low capital cost,
17 maneuverability, and high gas mileage. The fact that both are automobiles and one can
18 choose or switch between them does not in any way prove that they are "reasonably
19 equivalent."

20 **Q DO YOU CONSIDER CURRENT RES POWER SUPPLY OFFERINGS TO BE A**
21 **"REASONABLY EQUIVALENT SUBSTITUTE SERVICE THAT IS REASONABLY**
22 **AVAILABLE TO CUSTOMERS AND AT COMPARABLE PRICES"?**

23 **A** In answering, first let me focus on the issue of whether RES power supply is a
24 reasonably equivalent substitute service. RES power supply certainly is not equivalent
25 substitute service, as the many differences between the two services described above
26 illustrate. To determine whether the service is "reasonably equivalent" requires one to
27 consider many aspects and to use judgment. In use of its judgment, I recommend the

1 Commission consider the information about the state of the retail market today, and in
2 the future, as well as the information provided by IIEC witnesses. In my judgment, RES
3 power supply arrangements as I have described are not reasonably equivalent substitute
4 service.

5 **Q DO YOU BELIEVE AN ASSESSMENT OF THE PROCEDURES A CUSTOMER MUST**
6 **GO THROUGH TO ACQUIRE SERVICE IS GERMANE TO DETERMINING WHETHER**
7 **"THE SERVICE OR A REASONABLY EQUIVALENT SUBSTITUTE SERVICE IS**
8 **REASONABLY AVAILABLE TO THE CUSTOMER SEGMENT OR GROUP"?**

9 A Yes. Even if there was an identical service to Rate 6L in the market, but customers
10 could not access it, or would have to take extraordinary or undue measures to access it,
11 the test would not be met.

12 **Q HOW DOES A CUSTOMER ACQUIRE SERVICE FROM COMED UNDER RATE 6L**
13 **PRESENTLY?**

14 A Because Rate 6L is a rate of general applicability, all customers who meet the size
15 requirements can sign up for the service, pursuant to the ComEd tariff and the
16 appropriate terms and conditions. As Rate 6L is a regulated rate, ComEd may not
17 unreasonably deny service to customers who otherwise qualify.

18 **Q HOW DOES A CUSTOMER ACQUIRE ALTERNATIVE SERVICE FROM A RES?**

19 A Currently, this is a much more complex and time consuming process. As a general
20 matter, large customers prefer to solicit offers from multiple suppliers in advance of
21 current contract expiration. Depending on the customers' purchasing protocols, it may
22 have to issue formal Requests for Proposals (RFPs) in order to solicit supply bids.

1 Once responses to RFPs are received, assuming multiple offers, a comparative
2 evaluation must take place. Because there currently is no standardization in the rate
3 products offered by suppliers, it is often difficult to assess offers on a comparable basis.
4 Further, RES offer prices tend to be quite perishable, complicating the decision process.
5 It is not uncommon for an offer price to be good only for a few days. (I can recall no
6 circumstance where a RESs offer price was guaranteed for upward of one to two
7 weeks.)

8 If customers are able to find an offer which is favorable in comparison to bundled
9 service from ComEd or Rider PPO service, or is otherwise preferred, they then must
10 negotiate the final terms of the contract or contracts which are being considered. These
11 contracts tend to vary across suppliers and constitute relatively new information to most
12 electric consumers. Because of the relative immaturity of the alternative retail supply
13 market there is little standardization in contractual terms.⁵ Negotiation time for final
14 contract terms can range from several days to weeks.

15 Once a contract is executed, the business relationship between the customer
16 and its supplier is significantly different from the customer and the regulated utility in that
17 resolution of contract or billing disputes can require civil action (in addition to some
18 limited recourse at the Commission) as compared to the regulatory protections regarding
19 disputes under bundled service tariffs.

⁵ This is in contrast to the natural gas market, where contracts are more standardized for similar services.

1 **Q RETURNING THEN TO THE PRIOR QUESTION, DO YOU CONSIDER CURRENT**
2 **ALTERNATIVE POWER SUPPLY OFFERINGS TO BE A "REASONABLY**
3 **EQUIVALENT SUBSTITUTE SERVICE THAT IS REASONABLY AVAILABLE TO**
4 **CUSTOMERS AND AT COMPARABLE PRICES"?**

5 **A Supplementing my opinion related to the equivalence of substitute service is my opinion**
6 that entering into alternative power supply arrangements is difficult relative to Rate 6L.
7 Until such time as power markets become more stable and mature with more uniform
8 and streamlined purchasing processes and until customers can expect prices to be
9 reliable for more than a few days, there will be a large disparity in the processes needed
10 to acquire Rate 6L service and that of substitute service in the market.

11 Hence, I believe the test is not met at this time.

12 **Q ARE THE PRICES OF RES CONTRACTS COMPARABLE TO COMED'S RATE 6L**
13 **SERVICE?**

14 **A It is impossible to say if the ultimate level of prices is comparable to Rate 6L service.**
15 ComEd certainly has not proven that they are. However, as discussed by my colleague,
16 Mr. Maurice Brubaker, the pricing under many alternative service contracts is
17 significantly more volatile due to the CTC exposure inherent within the current delivery
18 service tariffs. Customers who thought they were entering into an attractive commodity
19 contract in 2001 were in for a rude awakening when they found that their CTC increased
20 by as much as 2¢ per kWh or more in June 2002. Despite ComEd's superficial
21 assertions to the contrary, there are not many options available to retail customers to
22 help hedge the risk of CTC volatility. As with most hedging instruments, there would be
23 a cost associated with such a hedge in any event.

1 In this regard, alternative supply prices would be better described as
2 "contrastable" rather than "comparable" to Rate 6L prices.

3 **FUTURE OF RETAIL ELECTRIC SUPPLIERS IN THE COMED TERRITORY**

4 **Q COMED WITNESSES PAUL R. CRUMRINE AND DENNIS F. KELTER**
5 **(CRUMRINE/KELTER) STATE AT PAGE 13 OF THEIR DIRECT PANEL TESTIMONY**
6 **THAT "IN SHORT, THERE IS A SIGNIFICANT GROUP OF RESs THAT CAN SERVE**
7 **THE CUSTOMERS IN THE 3 MW OR GREATER TERRITORY." HOW DO YOU**
8 **RESPOND?**

9 A Crumrine/Kelter state at page 12 that there are currently only five non-affiliated RESs
10 directly serving customers in the 3 MW or greater group. It is not guaranteed that these
11 five will be able to effectively continue operating as RESs in the ComEd territory.

12 **Q HAS COMED IDENTIFIED WHICH RESs ARE CURRENTLY SERVING CUSTOMERS**
13 **OF 3 MW AND ABOVE IN ITS TERRITORY?**

14 A Yes. In the Company's response to Department of Energy Data Request 1-5, ComEd
15 indicated the following five non-affiliated RESs were directly serving customers as of
16 June 2002:

- 17 • MidAmerican Energy Company
- 18 • AES NewEnergy, Inc.
- 19 • Dynegy Energy Services, Inc.
- 20 • Peoples Energy Services Corporation
- 21 • AES Central Illinois Light Company

22 Out of the 14 non-affiliated RESs identified by ComEd as potential suppliers to
23 customers in the 3 MW and over group, only the above five are actually serving them.

1 Unfortunately, current uncertainties draw into question the future ability of these five
2 suppliers to compete in the ComEd territory.

3 **Q WHY DO YOU QUESTION THE FUTURE ABILITY OF THESE FIVE SUPPLIERS TO**
4 **COMPETE IN THE COMED TERRITORY?**

5 A The shroud of uncertainty surrounding these suppliers comes from at least four different
6 areas. Leading the way is the decision of the Appellate Court of Illinois, Fifth District,
7 with regard to the Application for Certificate of Service Authority of WPS Energy
8 Services, Inc. (Appellate Court Decision). Other noteworthy areas of uncertainty include
9 the ability to operate in an uncertain RTO environment, where a RES's generating
10 resources may be located in different RTOs than their customers. In addition, all
11 suppliers likely will be affected by the Federal Energy Regulatory Commission's (FERC)
12 Standard Market Design Notice of Proposed Rulemaking (NOPR), as discussed by Mr.
13 Dauphinais. Finally, the continued financial viability of some of the RESs is in question.

14 In my estimation, each of the five non-affiliated RESs could be adversely
15 impacted by one or more of these uncertainties, and hence alternative options for
16 customers may be severely limited or eliminated in the future.

17 **Q PLEASE EXPLAIN THE UNCERTAINTY CAUSED BY THE APPELLATE COURT**
18 **DECISION.**

19 A The Appellate Court Decision will have a frustrating effect on the development of
20 competition in the Illinois market. ~~It is my understanding the Appellate Court concluded~~
21 ~~that Section 16-115(d)(5) requires an applicant for Alternative Retail Electric Supplier~~
22 ~~(ARES) status to show each of the following things:~~

~~(1) That it, or its affiliate, or its principal source of electricity owns or controls transmission and distribution facilities, for public use, for the transmission of electricity to end users within a defined geographic area; AND~~

~~(2) That power and energy can be physically and economically delivered to such facilities by the affected Illinois utilities; AND~~

~~(3) That the applicant, or its affiliate, or its principal source of supply offers electrical delivery services comparable to those offered by the relevant Illinois electric utilities (i.e., reciprocity).~~

~~————— The Commission appears to also recognize the shroud of uncertainty hanging over the development of the Illinois market when it states in its Petition for Leave to Appeal the Appellate Court Decision as follows:~~

~~"The Appellate Court's Decision, unless overturned or clarified, will have a frustrating effect on the creation of electric retail markets in the State of Illinois. By elevating protection of existing public utilities as the chief policy of the Customer Choice Law, the Appellate Court is placing a severe policy restriction on the ability of potential ARES to obtain certification under Subsection 16-115(d) of the Customer Choice Law, 220 ILCS 5/16-115 (d). The decision could limit or eliminate potential competitors in the Illinois retail electricity market." (In the Supreme Court of Illinois, Petition for Leave to Appeal of the Illinois Commerce Commission, filed on July 25, 2002, at 14-15.)~~

Due to the Appellate Court Decision, the current outlook on RESs' future with regard to reciprocity is at best confusing and at worst devastating. As I will discuss below, under the criteria for certification outlined above, the majority of the non-affiliated RESs serving customers greater than 3 MW could be adversely affected by the decision.

Q PLEASE DESCRIBE THE UNCERTAINTY CREATED BY THE DEVELOPING RTO STRUCTURE AND THE FERC STANDARD MARKET DESIGN NOPR.

A The first uncertainty arises primarily due to the fact that ComEd and Illinois Power Company (IP) have joined a different RTO from the remainder of the Illinois utilities. This topic is discussed in greater detail by IIEC witness Dauphinais. As discussed by Mr. Dauphinais, the ability and economics of delivering power from one RTO area to

1 another is uncertain for now and is likely to remain so for some time. Hence, any RESs
2 wishing to utilize generation outside the ComEd or IP areas to serve ComEd retail
3 customers have significant uncertainty facing their ability to compete. This is likely to
4 impact at least two of the existing five non-affiliated RESs serving customers of 3 MW or
5 greater.

6 The second uncertainty, related to the FERC Standard Market Design NOPR, is
7 discussed at length by Mr. Dauphinais and deals primarily with the allocation of
8 congestion revenue rights and FERC's resource adequacy requirement.

9 **Q PLEASE DISCUSS THE UNCERTAINTY IN MARKET DEVELOPMENT RAISED BY**
10 **THE CURRENT FINANCIAL CONDITIONS OF ENERGY COMPANIES.**

11 A As has been widely reported over the last several months, many energy companies are
12 facing financial difficulties reflected in diminished stock prices and ability to borrow
13 money. Chief among these electricity suppliers is Enron Energy Services, Inc. (EES),
14 who had its certificate revoked by the Commission in Docket No. 02-0100. In its
15 Initiating Order in that case, the Commission cited to the financial requirements for
16 ARES certification laid out in Illinois Administrative Code, Part 451 in comparison to the
17 various financial ratings of EES as described in the ICC Staff Report to the Commission
18 in that case. ~~Hence, it appears that the Commission intends to enforce the financial~~
19 ~~requirements of Administrative Code, Part 451 and will seek to revoke ARES certificates,~~
20 ~~where appropriate.~~

21 Using the criteria laid out in Administrative Code, Part 451, at least one of the five
22 non-affiliated RESs serving customers 3 MW and above in the ComEd territory could be
23 negatively affected. In addition, as I noted earlier in my testimony, the weakened
24 financial condition of suppliers introduces significant counterparty risk to delivery

1 services customers that can significantly limit the availability of an alternative supply to
2 them.

3 **Q EARLIER YOU LISTED THE FIVE NON-AFFILIATED RESs IDENTIFIED BY COMED**
4 **AS DIRECTLY SERVING CUSTOMERS OF 3 MW OR GREATER. PLEASE EXPLAIN**
5 **HOW THE UNCERTAINTIES YOU DESCRIBED ABOVE MIGHT AFFECT EACH OF**
6 **THEM.**

7 A My analysis of each is shown below. This analysis is not intended as a comprehensive
8 or definitive technical, financial, or legal review, but rather is an indication of the potential
9 uncertainties surrounding the continued presence of these RESs in the market.

10 MidAmerican Energy Company

11 MidAmerican Energy Company (MidAmerican) is not likely to be affected by the
12 Appellate Court Decision as it is not certified as an ARES, but qualifies as a RES
13 because it is an Illinois electric utility.⁶ The main uncertainty associated with
14 MidAmerican pertains to RTO development. MidAmerican is a member of the Midwest
15 Independent System Operator (MISO). To the extent it relies on its own generation
16 outside the ComEd area, there may be uncertainty associated with retail transactions on
17 the ComEd system as part of the PJM RTO, as mentioned earlier. To the extent
18 MidAmerican were to rely on wholesale power supplies for serving customers in the
19 ComEd territory, it may face the same problems as described by my colleagues, Mr.
20 Alan Chalfant and Mr. Dauphinais, related to wholesale market concentration and FERC
21 standard market design.

⁶ According to ICC's web site.

1 AES NewEnergy, Inc.

2 AES NewEnergy was certified in ICC Docket No. 99-0447, which was approved on
3 March 21, 2001. In June of this year, AES Corporation announced that it was selling its
4 NewEnergy business unit to Constellation Energy Group (Constellation), the parent
5 company of Baltimore Gas & Electric (BG&E). Hence, AES NewEnergy's future is
6 somewhat uncertain, even in a business sense. If NewEnergy remains with AES, it
7 could be affected by the Appellate Court Decision, as neither AES NewEnergy nor its
8 affiliate would own or control transmission and distribution facilities in a defined
9 geographic area that offers electrical delivery services comparable to those offered by
10 the relevant electric utilities.⁷

11 Whether or not NewEnergy will meet the certification requirements if it is owned
12 by Constellation is, of course, an open question. Once NewEnergy is owned by
13 Constellation, it will have an affiliate that owns or controls transmission or distribution
14 facilities, BG&E. BG&E is located in Maryland, which is an open access state.
15 However, it is not clear that power and energy can be physically and economically
16 delivered by ComEd to the BG&E area. While there may be little doubt that energy
17 physically could be delivered from ComEd to the BG&E territory I, like everyone else,
18 have no way of knowing what tests the Commission will use to determine whether such
19 power can be economically delivered at such time as it may examine NewEnergy as a
20 Constellation company.

21 Dynegy Energy Services, Inc. (DES)

22 DES is an affiliate of an Illinois electric utility (Illinois Power Company). DES was
23 certified originally as an ARES in ICC Docket No. 00-0008, and received further authority

⁷ Assuming AES Central Illinois Light Company is transferred to Ameren Corporation. AES also owns Indianapolis Power and Light Company. However, Indiana is not an open access state.

1 from the Commission in ICC Docket No. 01-0633. Under its current authority, it can sell
2 retail electricity and power to eligible non-residential customers with annual consumption
3 greater than 15,000 kWh throughout the State of Illinois. DES also received authority to
4 provide single billing service to customers under Subpart F of Administrative Code, Part
5 451.

6 As indicated in the Commission's orders in these dockets, DES relied on a
7 Parent Guaranty Agreement from Dynegy Holdings, Inc. as its method of meeting
8 Section 451.510 of the Illinois Administrative Code. At the time of application, Dynegy
9 Holdings, Inc. had a credit rating by Standard & Poor's of BBB+, which was sufficient for
10 meeting the requirements under the applicable subparts of the Administrative Code, Part
11 451. However, as of August 19, 2002 the bond ratings for both Dynegy Holdings, Inc.
12 and Dynegy, Inc. are below investment grade with a rating of B+ by Standard & Poor's.
13 Consequently, there is uncertainty surrounding DES's continued ability to meet the
14 financial requirements for certification, given its current financial condition.

15 Peoples Energy Services Corporation (Peoples)

16 In its Application for Certification as an ARES in ICC Docket No. 99-0432,
17 Peoples certified that it and its affiliates and its principal source of supply do not own or
18 control transmission and distribution systems that are available for the public use.
19 Consequently, there is significant uncertainty surrounding Peoples' ability to meet
20 certification requirements on an ongoing basis in light of the Appellate Court Decision.

21 To the extent it purchases its power supply in the wholesale market, it may also
22 suffer due to the market concentration and standard market design issues discussed by
23 Mr. Chalfant and Mr. Dauphinais.

1 AES Central Illinois Light Company (CILCO)

2 According to the ICC website, CILCO is an Illinois electric utility and
3 consequently, it is permitted to provide power and energy on a competitive basis to retail
4 customers located outside its service area. Similar to MidAmerican, it does not appear
5 that the new criteria for certification in the Appellate Court Decision would directly apply
6 to CILCO, as currently constituted.

7 However, as described in ICC Docket No. 02-0428, AES is selling its CILCO
8 business unit to Ameren Corporation. As noted in the direct testimony of Ameren
9 witness Craig D. Nelson in that case, "CILCO's retail marketing business will be
10 transferred to Ameren Energy Marketing Company ('AEM') where Ameren's existing
11 retail marketing business resides." As a result, it appears that there will be one fewer
12 RES operating in the ComEd territory once the sale is complete, unless AEM takes over
13 the retail marketing activities of CILCO in the ComEd territory. However, given that AEM
14 currently is not serving any customers larger than 3 MW in the ComEd service territory, it
15 is not known if AEM would actually serve any of those types of customers.

16 Furthermore, given that AEM is affiliated with a utility that has a transmission and
17 distribution system in a state that does not offer reciprocal open access (Missouri), there
18 exists uncertainty regarding AEM's ability to maintain its ARES certification, in light of the
19 Appellate Court Decision. Furthermore, the vast majority of AEM's generating plants are
20 located within the MISO region (as is CILCO's) and, like MidAmerican, there exists
21 uncertainty as to the economic deliverability of power from MISO into the PJM region.

1 **Q COULD THERE BE OTHER UNCERTAINTIES FACING THE POTENTIAL**
2 **SUPPLIERS OF POWER IN THE COMED TERRITORY?**

3 A Absolutely. The four major uncertainties I have discussed were virtually unknown and
4 unanticipated a year ago. Development of the competitive retail market in Illinois has
5 been much slower than I (and I believe many others) expected. This infant market is
6 quite unstable and is subject to other possible unanticipated disruptions that could have
7 adverse effects.

8 As I stated earlier, for whatever reasons, the other RESs registered in the
9 ComEd territory are not serving customers in the 3 MW or greater group, which are the
10 subject of ComEd's filing in this case. Although I have not focused on them, I would
11 suggest that several, if not all, of the remaining RESs identified by ComEd witnesses
12 Crumrine and Kelter as potential suppliers would likely face similar uncertainties.

13 Given the current situation, and the possible futures of these RESs, I have little
14 confidence there will be a vibrant and genuine competitive retail electric market for
15 customers 3 MW or greater in the ComEd territory at the times Rate 6L would be closed
16 and withdrawn under ComEd's proposal (June 2003 and June 2006, respectively), even
17 if one were to assume that one exists today, which I do not. My opinion does not
18 depend on whether Rate 6L is eliminated for customers of 3 MW or greater. These
19 issues will not be resolved by "pushing birds out of the nest."

RATE HEP – HOURLY ENERGY PRICING

Q IF COMED IS ALLOWED TO ELIMINATE RATE 6L SERVICE FOR CUSTOMERS GREATER THAN 3 MW, WHAT BUNDLED RATE OPTIONS WOULD CUSTOMERS HAVE IN THE EVENT AN EFFECTIVE COMPETITIVE MARKET IS NOT DEVELOPED?

A In the near term, customers who qualify would have the option of Rate HEP – Hourly Energy Pricing (Rate HEP) or the unbundled Rate RCDS with Rider PPO. However, since Rider PPO would also end shortly after the time ComEd proposes for Rate 6L to be eliminated, the only ongoing bundled option would be Rate HEP.

Unfortunately for customers, Rate HEP is an inferior rate option, as has been demonstrated by its dismal failure to attract customers to date, and as I will discuss further below.

Q PLEASE DESCRIBE RATE HEP.

A Rate HEP is a real time pricing rate approved by the Commission in 1998 and was offered by ComEd pursuant to Section 16-107 of the Public Utilities Act, which mandated that non-residential retail customers be able to elect real time pricing beginning October 1, 1998. Rate HEP suffers from several inherent flaws that make it undesirable to customers. IIEC pointed out some of the shortcomings of Rate HEP in ICC Docket No. 98-0362 wherein the rate was first approved. The undesirability of the rate is demonstrated by the fact that it has gone virtually unused in the nearly four years it has been in place. According to ComEd's response to IIEC Data Request 1-14(a), only one eligible customer has taken service under Rate HEP (out of over 500,000 non-residential customers), and according to ComEd's response to IIEC Data Request 2-9, that one customer only began taking service very recently (July 2002).

1 **Q PLEASE DESCRIBE THE MECHANICS OF RATE HEP.**

2 A The Rate HEP tariff is reproduced from the ComEd website and attached to my
3 testimony as **IIEC Exhibit 4.2**, for convenience. As shown on the tariff, a customer's bill
4 under Rate HEP consists of three components: the monthly access charge, which is a \$
5 per kW demand charge; the cost of the hourly energy, based on the hourly prices and
6 consumption; and finally, the customer charge. For customers 3 MW and greater, the
7 monthly access charge is calculated on an individual basis, as shown on ComEd tariff
8 Sheet No. 55.71. The monthly access charge amounts to a mechanism wherein
9 residual revenues over and above projected hourly energy charges are assessed to
10 customers on a per kW demand charge basis, yielding revenues consistent with the
11 base historical period. For customers who are on Rate 6L during the base historical
12 period, the monthly access charge is set to yield Rate 6L revenues, assuming similar
13 usage characteristics to the base historical period. Hypothetically, if ComEd's forecasts
14 were to be accurate and customers exhibit the same usage behavior, customers' bills
15 will be virtually the same under Rate HEP as they would be under Rate 6L.

16 In many ways, the monthly access charge is analogous to the CTC ComEd
17 collects under delivery service. Just as the monthly access charge serves as a
18 mechanism to make ComEd "whole" as compared to Rate 6L revenues, the CTC is
19 designed to make ComEd "whole," but for the mitigation factor, as compared to Rate 6L.
20 Three notable differences between the monthly access charge and the CTC are; 1) the
21 monthly access charge is a per kW charge instead of a per kWh charge, 2) the CTC has
22 a mitigation factor that keeps the utility from being made completely "whole," and 3) the
23 CTC has a fixed duration, ending at the end of 2006. In contrast, the monthly access

1 charge under Rate HEP contemplates full Rate 6L revenue recovery (no mitigation
2 factor) and is scheduled to last indefinitely.⁸

3 The monthly access charge is based on an annual forecast of the value of
4 electric energy for the period beginning in June of each year and extending through the
5 following May, using the same data underlying the Market Value Energy Charges of
6 Rider PPO (and ultimately CTCs). To the extent the data used in the market value index
7 approach in Rider PPO are a poor predictor of future spot market prices, they are
8 equally poor predictors of future hourly energy prices under Rate HEP. A major
9 difference, however, is that under Rider PPO, no matter how poor the market value
10 index is at predicting future prices, ComEd is obligated to sell power at that same price
11 to eligible customers under Rider PPO. There is no such balancing customer protection
12 under Rate HEP. Should a relatively low forecasted energy price yield an artificially
13 inflated monthly access charge, customers have no recourse, as the hourly energy
14 prices are not based on the low forecast prices, but on the higher energy prices on a
15 day-to-day basis.

16 **Q PLEASE DESCRIBE HOW THE HOURLY ENERGY PRICES ARE DETERMINED.**

17 A Hourly energy prices are based on day ahead spot market price indicators from an
18 industry trade publication. Through the use of an algorithm, ComEd transforms these
19 prices into hourly energy prices, which are made available to customers at 7 p.m. for the
20 following day. ComEd offers no option for customers to lock in prices for predetermined
21 periods, or to hedge the hourly energy price volatility under Rate HEP.

⁸ Or, as ComEd puts it, "This method would apply until such time as the tariff changes." (ComEd response to IIEC Data Request 1-15.)

1 **Q DO YOU HAVE AN OPINION AS TO WHY CUSTOMERS HAVE NOT BEEN**
2 **RECEPTIVE OF RATE HEP SO FAR?**

3 A Yes, I do. First, as a general proposition, most customers are not interested in prices
4 that vary by hour. Real time pricing rates have been effective in some jurisdictions.
5 However, they traditionally have tended to be structured differently from Rate HEP and
6 were often used as an economic development tool, not as the exclusive utility option for
7 customers. Many customers, such as large manufacturing customers, do not wish to try
8 to alter production schedules or otherwise modify operations on an hour to hour basis in
9 order to track hourly price fluctuations. Furthermore, customers tend to like more
10 predictability in pricing than is afforded by prices that vary by hour and are not known
11 until a few hours before the start of a day.

12 Second, I believe the monthly access charge has tended to be so high under
13 Rate HEP that it poses significant financial exposure to customers, should they have
14 abnormally high demand in a month. According to ComEd's response to IIEC Data
15 Request 1-14, the per kW demand charge is not seasonally differentiated and, for
16 customers in the 1 to 3 MW range, got as high as nearly \$23 per kW and is currently at
17 \$16.93 per kW.⁹ These figures are significantly higher than the demand charges under
18 ComEd's Rate 6L.

19 The monthly access charge has no bearing on ComEd's cost structure going
20 forward and is probably the number one detriment to the viability of Rate HEP.
21 Inasmuch as it contemplates full recovery of lost revenue, for an indefinite period, the
22 monthly access charge can be characterized as "CTC with a vengeance."

⁹ Monthly access charges for customers greater than 3 MW calculated on an individual basis are not available.

1 If viable competitive options do not develop, customers will be significantly
2 harmful by being forced from Rate 6L and left with Rate HEP as their only bundled
3 service alternative.

4 **HARM TO CUSTOMERS UNDER COMED'S PROPOSAL**

5 **Q ARE THERE ANY ASPECTS OF COMED'S PROPOSAL THAT ARE HARMFUL TO**
6 **CUSTOMERS?**

7 A Yes. I will discuss three. If customers knowingly (due to lack of viable competitive
8 options), or unwittingly, are moved from Rate 6L to Rate HEP, they are harmed. ComEd
9 will have absolved itself of price risk, as the hourly energy prices will be market based,
10 while at the same time ComEd will have locked in regulated rate-based revenues
11 through the monthly access charge. ComEd suggests a need to move away from the
12 regulated regime, but it has not indicated a willingness to give up Rate 6L revenues
13 inherent within Rate HEP over the long term, or CTC revenues in the short term.

14 Another area of harm to customers comes in ComEd's proposed application of its
15 proposal. Under ComEd's proposal, only customers who are on Rate 6L as of the June
16 2003 billing period would be allowed to retain the right to Rate 6L service for the
17 subsequent three years. Customers who are contractually bound to ComEd or RES
18 service for periods that extend beyond June 2003 effectively would be precluded from
19 ever having the option of Rate 6L service again. ComEd's treatment is unfair to these
20 customers, who may have entered into these contracts well in advance of ComEd's filing
21 in this case, and therefore had no way to choose otherwise. In response to IIEC Data
22 Request 1-4, ComEd indicated that there are nine special contract customers in the 3
23 MW and above range whose contracts expire subsequent to June 1, 2003. There is no
24 way for me to know how many 3 MW and above customers taking service from RESs

1 have contracts that extend beyond 2003, but I would note that such contracts do in fact
2 exist, as evidenced by IIEC witness Mark Kelly.

3 Finally, even PPO customers are put at risk by ComEd's proposal. PPO has
4 been a favorable option for many ComEd customers. As indicated at page 12 of ComEd
5 witness Arlene Juracek's testimony, ComEd believes that the PPO tariff should be
6 limited and ComEd will be making proposals for doing that in the pending market value
7 index workshops and filing scheduled for this summer and fall. If ComEd successfully
8 makes the PPO unavailable to certain customers or makes it generally unattractive, with
9 such negative change occurring after June 2003, PPO customers will have been
10 effectively deprived of the right to return to Rate 6L service, even though the problem
11 was not of their own making. This could also happen under the "normal" operation of
12 the PPO tariff, should the CTC go to zero (even temporarily).

13 In summary, ComEd's proposal appears to serve to benefit ComEd or its affiliate
14 (or both), but such benefit will come largely at a cost to customers 3 MW and above.
15 The Commission should reject ComEd's Petition.

16 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 **A** Yes, at this time.

7856/31721

Qualifications of Robert R. Stephens

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Robert R. Stephens. My business mailing address is P. O. Box 412000, 1215 Fern
3 Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation with the firm of Brubaker &
6 Associates, Inc., energy, economic and regulatory consultants.

7 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A I graduated from Southern Illinois University at Carbondale in 1984 with a Bachelor of
9 Science degree in Engineering. During college, I was employed by Central Illinois
10 Public Service Company in the Gas Department. Upon graduation, I accepted a
11 position as a Mechanical Engineer at the Illinois Department of Energy and Natural
12 Resources. In the summer of 1986, I accepted a position as Energy Planner with City
13 Water, Light and Power, a municipal electric and water utility in Springfield, Illinois.
14 My duties centered on integrated resource planning and the design and
15 administration of load management programs.

16 From July 1989 to June 1994, I was employed as a Senior Economic Analyst
17 in the Planning and Operations Department of the Staff of the Illinois Commerce
18 Commission. In this position, I reviewed utility filings and prepared various reports
19 and testimony for use by the Commission. From June 1994 to August 1997, I worked
20 directly with a Commissioner as an Executive Assistant. In this role, I provided

1 technical and policy analyses on a broad spectrum of issues related to the electric,
2 gas, telecommunications and water utility industries.

3 In May 1996, I graduated from the University of Illinois at Springfield with a
4 Master of Business Administration degree.

5 In August 1997, I joined Brubaker & Associates, Inc. as a Consultant. Since
6 that time, I have participated in the analysis of various utility rate and restructuring
7 matters in several states and the evaluation of power supply proposals for clients. I
8 am currently an Associate in the firm.

9 The firm of Brubaker & Associates, Inc. provides consulting services in the
10 field of energy procurement and public utility regulation to many clients, including
11 large industrial and institutional customers, some utilities, and on occasion, state
12 regulatory agencies. More specifically, we provide analysis of energy procurement
13 options based on consideration of prices and reliability as related to the needs of the
14 client; prepare rate, feasibility, economic and cost of service studies relating to energy
15 and utility services; prepare depreciation and feasibility studies relating to utility
16 service; assist in contract negotiations for utility services; and provide technical
17 support to legislative activities.

18 In addition to our main office in St. Louis, the firm also has branch offices in
19 Denver, Colorado; Chicago, Illinois; Asheville, North Carolina; Kerrville, Texas; and
20 Plano, Texas.

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ELECTRICITY

ILL. C. C. No. 4
39th Revised Sheet No. 28
(Canceling 38th Revised Sheet No. 28)ELECTRONIC REPLICATION OF SHEET ON FILE WITH ICC
- Font and Format May Vary - Content is Identical -**RATE 6L
LARGE GENERAL SERVICE****APPLICABILITY.**

This rate is applicable to (1) any commercial, industrial, or governmental customer with a maximum 30-minute demand of 1,000 kilowatts or more established during the Demand Peak Periods in three of the twelve months preceding the billing month except that for Heating with Light customers the 30-minute maximum demand shall be as measured at any time during the month, (2) successors to customers served under these charges immediately prior to the date of succession whose estimated 30-minute demands meet the demand requirements in clause (1) above, (3) new customers whose estimated 30-minute demands meet the demand requirements in clause (1) above, and (4) any customer previously billed hereunder pursuant to clauses (1) or (2), except as otherwise provided below.

If a customer at one time was served pursuant to (1) above on Large General Service - Time of Day and has a Maximum Demand which (A) has not exceeded 800 kilowatts in any month of the 16-month period preceding the billing month, or (B) has not equaled or exceeded 1,000 kilowatts in any month of the 24-month period preceding the billing month, such customer may elect, in written application to the Company, to be served on Rate 6, General Service. Rate 6L, Large General Service - Time of Day, shall not again be applicable until such customer qualifies for such rate under clause (1) above.

The Large General Service - Heating with Light charges shall be applicable only to customers or their successors with electric space heating taking service under the Heating with Light provisions of Rider 25 prior to November 23, 1977.

A Large General Service - Heating with Light customer will be allowed to take Large General Service - Time of Day service upon written application to the Company. Once changed to Large General Service - Time of Day service, those customers or their successors will not be allowed to return to Large General Service - Heating with Light.

CHARGES.**Large General Service - Time of Day.****Monthly Customer Charge.**

For customers with a Maximum Demand in any month during the most recent 12-month period, including the billing month, which is greater than 10,000 kilowatts: \$524.61

For all other customers: \$246.39

Demand Charge.

Charge per kilowatt for all kilowatts of Maximum Demand for the month:

Summer Months.

For the first 10,000 kilowatts \$16.41

For all over 10,000 kilowatts \$ 6.51

All Other Months.

For the first 10,000 kilowatts \$12.85

For all over 10,000 kilowatts \$ 5.03

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

*** Energy Charge.**

Charge per kilowatt-hour for kilowatt-hours supplied in the month:

during Energy Peak Periods 5.022¢

during Energy Off-Peak Periods 2.123¢

Large General Service - Heating with Light.**Monthly Customer Charge.**

For customers with a Maximum Demand in any month during the most recent 12-month period, including the billing month, which is greater than 10,000 kilowatts: \$524.61

For all other customers: \$246.39

(Continued on Sheet No. 29)

Filed with the Illinois Commerce Commission
on November 2, 1998.
Issued pursuant to 220 ILCS 5/16-114.
Asterisk (*) indicates change.

Effective with bills issued on and after: January 1, 1999
Issued by P. B. Strobel, Senior Vice President
Post Office Box 767, Chicago, Illinois 60690

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ELECTRICITY

ILL. C. C. No. 4
37th Revised Sheet No. 29
(Canceling 36th Revised Sheet No. 29)

ELECTRONIC REPLICATION OF SHEET ON FILE WITH ICC
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**RATE 6L
LARGE GENERAL SERVICE**

(Continued from Sheet No. 28)

CHARGES. (CONTINUED)

Large General Service - Heating with Light (Continued).

Demand Charge.

Charge per kilowatt for all kilowatts of Maximum Demand for the month:

For Summer Months	\$16.41
For All Other Months	\$12.85

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

Energy Charge.

Charge per kilowatt-hour for kilowatt-hours supplied in the month:

For the first 30,000 kilowatt-hours	3.875¢
For the next 470,000 kilowatt-hours	2.881¢
For all over 500,000 kilowatt-hours	2.833¢

Late Payment Charge.

The late payment charge provided for in the Terms and Conditions of this Schedule of Rates shall be applicable to all charges under this rate.

Minimum Charge.

The minimum monthly charge shall be the Monthly Customer Charge.

Maximum Charge.

The average cost of electricity hereunder in any month, exclusive of the Monthly Customer Charge, shall not exceed the Maximum Charge per kilowatt-hour provided, however, that such guaranteed charge shall not operate to reduce the customer's bill to an amount less than the Minimum Charge.

The Maximum Charge per kilowatt-hour shall be: 20.502¢

MAXIMUM DEMAND.

Except as noted in the paragraph below, the Maximum Demand in any month shall be the average of the three highest 30-minute demands established during the Demand Peak Periods in such month, not more than one such demand to be selected from any one day.

For customers taking service under Large General Service—Heating with Light provision of this rate the Maximum Demand in any month shall be the average of the three highest 30-minute demands established at any time during the month, not more than one such demand to be selected from any one day.

MEASUREMENT OF DEMAND AND KILOWATT-HOURS SUPPLIED.

Where two or more metering installations are provided on the customer's premises, the demand in any 30-minute period shall be determined by adding together the separate demands at each metering installation during such 30-minute period except that (a) in case the demand at any metering installation is registered by an indicating or cumulative demand meter, the demand at such installation in each 30-minute period of any month shall be assumed to be the same as the highest demand in any 30-minute period of such month, and (b) the demand at any installation may be assumed to be 75 percent of the connected load if such connected load is 2 kilowatts or less, and such demand is to be added to a metered demand. Where there are two or more watt-hour metering installations, the kilowatt-hours supplied shall be determined by adding together the kilowatt-hours metered at each installation, provided that where the kilowatt-hours at any such installation exceed 5,500 in the billing month and are not metered in such a manner as to permit determination of the hours during which they were delivered, for purposes of applying the time of day provisions of this rate, such kilowatt-hours shall be considered to have been delivered in Energy Peak Periods. If the energy use at such installation is 5,500 kilowatt-hours or less in the billing month, the following charge per kilowatt-hour shall apply to such kilowatt-hours:

* Charge per kilowatt-hour: 3.362¢

The Maximum Demands and kilowatt-hours supplied for two or more premises will not be combined for billing purposes hereunder.

(Continued on Sheet No. 30)

Filed with the Illinois Commerce Commission
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ELECTRICITY

ILL. C. C. No. 4
9th Revised Sheet No. 30
(Cancelling 7th Revised Sheet No. 30)

ELECTRONIC REPLICATION OF SHEET ON FILE WITH ICC
- Font and Format May Vary - Content is Identical -

**RATE 6L
LARGE GENERAL SERVICE**

(Continued from Sheet No. 29)

MEASUREMENT OF DEMAND AND KILOWATTHOURS SUPPLIED. (CONTINUED)

- Upon request, the Company will provide unmetered service for connected loads not exceeding two kilowatts where operation of the customer's equipment is continuous or is regularly scheduled on an annual basis. For the purposes of billing in such cases, the monthly kilowatthours shall be determined by multiplying the rated wattage (based upon nameplate or other appropriate data) of connected loads by one-twelfth of the annual hours of operation and dividing by 1,000. All kilowatthours delivered to an unmetered point of supply shall be considered to have been delivered during Energy Peak Periods.

SERVICE FACILITIES.

A standard installation furnished by the Company hereunder shall be determined by the provisions of the Company's Rider 6 except that the facilities so provided as standard shall be adequate only to supply service to a load equal to the maximum 30-minute demand of the customer established during the Demand Peak Period. If larger facilities are required to serve the excess of demand established during the Demand Off-Peak Period over the demand established during the Demand Peak Period, the customer shall pay, as optional facilities in accordance with the Company's Rider 6, the cost of any facilities so required. However, no optional facilities charges shall apply to facilities existing and in place at the time the customer qualifies for service hereunder.

ADJUSTMENT OF DEMANDS.

In case the customer, as a result of seasonal or vacation variations in load, has an abrupt decrease of at least 50% in his Maximum Demand during the months of June through September, he will be entitled to the proration of demand charges in the billing period in which such decrease occurs, and if, in the same calendar year, he has a subsequent abrupt increase of at least 100% in Maximum Demand during such months, he will be entitled to the proration of demand charges in the billing period in which such increase occurs, provided that (1) a period of reduced demand continues for at least seven consecutive days immediately following the demand reduction for which proration is sought, and for at least seven consecutive days immediately preceding the demand increase for which proration is sought, (2) demands registered by an indicating or cumulative demand meter shall not be subject to such proration, (3) such proration will be granted only upon written request by the customer stipulating the date of such decrease or increase and received by the Company in advance of such date, and (4) that proration will be granted for only one such decrease and subsequent increase in each calendar year.

TERM OF CONTRACT.

For customers first receiving service hereunder, the initial term of contract shall be 24 months. Upon expiration of the initial or any renewal term of contract hereunder, the customer's contract shall be automatically renewed for a period of 12 months. For customers receiving service under Rate 6 immediately prior to service hereunder, the unexpired term of contract under Rate 6 shall be the unexpired term hereunder.

A new contract, with an initial term of 24 months, shall be required whenever the Company is called upon to provide additional or different facilities to serve a demand greater than that specified in the Customer's then effective contract, and the term of such new contract shall commence at the beginning of the month next following the date when the facilities installed to serve the increased demand become available for service.

The customer shall have the right to terminate his contract and discontinue service from the Company at any time on 30 days' written notice to the Company; provided, however, that in the event of such termination all amounts due the Company shall forthwith be paid.

GENERAL.

Nothing in this rate shall be deemed to preclude a residential occupancy on the customer's property from being served as a separate customer on a residential rate.

- Energy Peak Periods, for purposes hereof, shall be the hours of 9:00 a.m. to 10:00 p.m. on Monday through Friday, except on days on which the following holidays are generally observed: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and, if one of the foregoing holidays occurs on a Tuesday or Thursday, the immediately preceding Monday or immediately following Friday, respectively. Energy Off-Peak Periods shall be all other hours.
- Demand Peak Periods, for purposes hereof, shall be the hours of 9:00 a.m. to 6:00 p.m. on Monday through Friday, except on the holidays designated above. Demand Off-Peak Periods shall be all other hours.

The Schedule of which this rate is a part includes certain general Terms and Conditions and Riders. Service hereunder is subject to these Terms and Conditions and the Riders applicable to this rate.

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ELECTRICITY

**RATE HEP
HOURLY ENERGY PRICING****AVAILABILITY.**

- * Pursuant to 220 ILCS 5/16-107 enacted in Public Act 90-561 on December 16, 1997, this rate is available to any nonresidential customer except such customers to which Rate IPP - Independent Power Producer Service is applicable. All electric service utilized at the customer's premises must be served hereunder, with the exception of Rate 26 - Private Outdoor Lighting and electric power and energy supplied by the customer's own generation located at such premises. A customer must sign a Rate HEP contract with the Company in order to take service under this rate.

BILL DETERMINATION.

A bill for service hereunder is rendered after each monthly billing period and is calculated using the following formula (before all costs associated with, but not limited to, rentals, taxes, franchise costs, decommissioning expense adjustment, and local government compliance charges):

$$\text{HEP Bill}_{\text{Mo.}} = \text{Access Charge}_{\text{Mo.}} + \sum [\text{Price}_{\text{Hr.}} \times \text{Consumption}_{\text{Hr.}}] + \text{Customer Charge}_{\text{Mo.}}$$

where:

HEP Bill _{Mo.}	=	charges (before all costs associated with, but not limited to, rentals, taxes, franchise costs, decommissioning expense adjustments, and local government compliance charges) for electric service provided hereunder in the monthly billing period;
Access Charge _{Mo.}	=	the customer's Maximum Demand in kW as defined in Rate HEP multiplied by the Monthly Access Charge in \$/kW as provided in Rate HEP;
\sum	=	the summation of all hourly quantities for all hours in the monthly billing period;
Price _{Hr.}	=	Hourly Rate HEP price in \$/kWh determined by the Company as described in the Rate HEP Pricing Methodology section;
Consumption _{Hr.}	=	the customer's actual hourly energy consumption in kWh supplied by the Company in each hour of the monthly billing period. For customers receiving service under Rider 9 - Primary Metering, actual hourly energy consumption in kWh registered at each of the primary metering locations and the corresponding hourly energy consumption in kWh in each hour of the monthly billing period will be reduced by the Metered Kilowatts of Demand Percent Reduction schedule included in Rider 9 for purposes of determining the HEP Bill.

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ELECTRICITY

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(Canceling 6th Revised Sheet No. 55.71)

**RATE HEP
HOURLY ENERGY PRICING**

(Continued from Sheet No. 55.70)

BILL DETERMINATION (CONTINUED).

Customer Charge Mo. = the Rate HEP Customer Charge is as follows:

Customer's Expected Maximum Demand (kilowatts)	HEP Customer Charge \$/Month
Less than 500	\$7.12
500 or more, but less than 1,000	\$30.54
1,000 or more, but less than 10,000	\$170.23
10,000 or more	\$471.67

*** MONTHLY ACCESS CHARGE.**

The Monthly Access Charge will be determined separately (1) for all customers with an expected Maximum Demand of less than 1,000 kilowatts; (2) for all customers with an expected Maximum Demand of 1,000 to 3,000 kilowatts; and (3) on an individual basis for each customer with an expected Maximum Demand of 3,000 kilowatts or greater and that has at least twelve consecutive months of billed electrical usage from the Company, as follows:

$$\text{Monthly Access Charge} = \frac{[\text{Annual Demand \& Energy Charges} - (\text{Annual Energy Usage} \times \text{Forecasted Energy Price})]}{\Sigma \text{Monthly Demands}}$$

where:

Monthly Access Charge = a charge in \$/kW that is applied to the customer's Maximum Demand in each billing period under Rate HEP;

Annual Demand & Energy Charges = summation of all demand and energy charges billed to the customer in the Base Historical Period, excluding credits for Rider 8, Rider 11, Rider 19, Rider 30, and Rider 32;

Annual Energy Usage = the customer's total energy consumption supplied by the Company during the Base Historical Period;

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ELECTRICITY

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3rd Revised Sheet No. 55.72
(Canceling 2nd Revised Sheet No. 55.72)RATE HEP
HOURLY ENERGY PRICING

(Continued from Sheet No. 55.71)

MONTHLY ACCESS CHARGE (CONTINUED).

Forecasted Energy Price = an annual forecast of the value of electric energy for the period beginning in June and extending through the following May determined by the Company utilizing the same hourly forward market values, prior to load weighting and application of losses, underlying the Market Value Energy Charges of Rider PPO – Power Purchase Option (Market Index) for the corresponding Applicable Period A. The Forecasted Energy Price will include compensation for line losses and a fixed cost adder equal to 10% of costs, consistent with those used to calculate Price _{HEP}, as well as seasonal load weighting;

Σ Monthly Demands = summation of the Maximum Demands as billed under the applicable rate in the Base Historical Period, including demands for loads that are not otherwise included in the determination of the Maximum Demand.

For a customer with an expected Maximum Demand of 3,000 kW or greater that had been served under Rider 26 or Rider 27, the Annual Demand & Energy Charges will be the same as if the customer had its entire electrical usage billed under Rate 6L. For a customer with an expected Maximum Demand of 3,000 kW or greater that had been served under Rate RCDS, the Annual Demand & Energy Charges will be the same as if the customer had its entire electrical usage billed under Rate 6L.

For a customer with an expected Maximum Demand of 3,000 kW or greater that had been served under Rate 18, the Annual Demand & Energy Charges will be the sum of all the demand and energy charges for Supplemental Service, Standby Service, and Standby Capacity in the Base Historical Period. For such customer, the Annual Energy Usage will be the sum of the energy consumption for Supplemental Service and Standby Service. For such customer, the sum of Monthly Demands will be the summation of the demands for Supplemental Service, and Standby Service.

For a customer with an expected Maximum Demand of 3,000 kW or greater and that has less than twelve consecutive months of billed electrical usage from the Company, the Monthly Access Charge will be determined by the Company after the customer provides an estimate of its expected pattern of electrical consumption. The customer's estimate is subject to review and acceptance by the Company.

- * The Monthly Access Charge for all customers served under Rate HEP will be adjusted on an annual basis in the June billing period. The annual adjustment of the Monthly Access Charge will incorporate the most current Forecasted Energy Price. The Forecasted Energy Price will be the only component of the Monthly Access Charge that is updated during this annual adjustment. Each time that the Company updates the Monthly Access Charge, it will file with the Illinois Commerce Commission, for informational purposes, the applicable charges along with workpapers detailing their determination as provided herein.

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**RATE HEP
HOURLY ENERGY PRICING**

(Continued from Sheet No. 55.72)

BASE HISTORICAL PERIOD.

The Base Historical Period is the period corresponding to the customer's most recent twelve consecutive monthly billing periods prior to taking service under Rate HEP.

MAXIMUM DEMAND.

For a customer with an expected Maximum Demand that is less than 1,000 kW, the Maximum Demand in any monthly billing period shall be the highest thirty-minute demand established during the Demand Peak Period in such monthly billing period. For a customer with an expected Maximum Demand of 1,000 kW or greater, the Maximum Demand in any monthly billing period shall be the average of the three highest thirty-minute demands established during the Demand Peak Periods in such monthly billing period, with not more than one such demand to be selected from any one day.

METERING CHARGES.

Standard metering equipment shall not be provided under Rate HEP. For a customer with an expected Maximum Demand of 10,000 kW or greater, the Company shall install Automated Meter Reading (AMR) meters suitable for remote meter reading at each metering location on the customer's premises. Where practical, the customer shall provide a dedicated telephone line to each meter. For locations at which a phone line is not practical, the Company shall install a cellular phone for each meter. The customer shall be billed for meter exchange charges pursuant to Rider 6 and for meter rentals as specified in Rider 7.

For a customer with an expected Maximum Demand of less than 10,000 kW, the Company will install electronic recording meters. The customer shall be billed for meter exchange charges pursuant to Rider 6 and for meter rentals as specified in Rider 7.

*** PRICING METHODOLOGY.**

Hourly Rate HEP prices are applied to the customer's entire kilowatt-hour usage supplied by the Company for each hour. Hourly Rate HEP prices charged to the customer are determined by the Company each day for the following day based on projections of the following day's hourly energy prices plus a contribution to fixed cost adder equal to 10% of costs. Hourly Rate HEP prices include a provision for line losses.

Determination of Hourly Rate HEP Prices.

For the period 6:00 a.m. to 10:00 p.m. of any day (Market Peak Period), the Hourly Rate HEP price ($Price_{HP}$) is equal to the Market Peak Hourly Price ($MPHP_{HP}$), as $MPHP_{HP}$ is defined below. For all other hours, $Price_{HP}$ is equal to the Market Off-Peak Price ($MOPP_{Day}$), as $MOPP_{Day}$ is defined below.

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**RATE HEP
HOURLY ENERGY PRICING**

(Continued from Sheet No. 55.73)

*** PRICING METHODOLOGY (CONTINUED).**

Market Peak Hourly Prices

Market Peak Hourly Prices (MPHP_{Hr}), in cents per kilowatt-hour, will be determined from reported daily transaction data of the day-ahead spot-market for the delivery of electric power and energy for the region most closely related to the Company's service territory for the Market Peak Period, exclusive of days of delivery for which no transaction data is reported. The Company will use the Power Markets Week's *Daily Price Report*, or such one or more similar reporting service(s) as are proposed by the Company and approved by the Illinois Commerce Commission, as the source of such reported daily transaction data.

For weekends and holidays the average of the reported transaction data for the nonholiday weekday immediately preceding and nonholiday weekday immediately following the weekend/holiday will be utilized. For other days for which no data is reported, the transaction data for the nonholiday weekday immediately preceding will be utilized.

A separate MPHP_{Hr} will be determined for each hour, Hr, within the Market Peak Period. The reported Market Peak Period prices will be converted into a MPHP_{Hr} for each hour by utilizing the historical hourly price shapes of the PJM Interconnection, L.L.C., Western Hub, Locational Marginal Price (PJM West Price) data. In order to reflect the sensitivity of hourly price shapes to average Market Peak Period price levels, a Market Peak Period price shape based upon actual historical PJM West Price shapes will be applied to calculate MPHP_{Hr}. Initially, the two-year historical period of the PJM West Price data will be the two-year period ending on November 30, 2000. Beginning on June 1, 2001, and annually thereafter, the historical period of the PJM West Price data will be the two-year period ending on April 30 of the current calendar year. To determine this price shape, historical, real-time, hourly PJM West Price data for the Market Peak Period will be segmented by season, and by weekday versus weekend or holiday. Within each segment, the PJM West Price data will be sorted into three subsegments consisting of the lowest decile, the highest decile, and the middle eight deciles of average daily Market Peak Period prices. For weekends and holidays, the segmentation will be based on the average daily Market Peak Period price levels of the nonholiday weekday immediately preceding and the nonholiday weekday immediately following the weekend/holiday. Average Market Peak Period prices and hourly price shapes will be measured within each subsegment.

For days in which the reported Market Peak Period price is greater than or equal to the average PJM West Price in the highest decile, the average price shape for the highest decile will be used to calculate the Market Peak Hourly Prices. For days in which the reported Market Peak Period price is less than or equal to the average PJM West Price in the lowest decile, the average price shape for the lowest decile will be used to calculate the Market Peak Hourly Prices. For all other days, the Market Peak Hourly Prices will be determined using a price shape calculated by interpolating between the average price shape for the middle eight deciles and the average price shape for either the highest or lowest decile, as required.

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**RATE HEP
HOURLY ENERGY PRICING**

(Continued from Sheet No. 55.74)

PRICING METHODOLOGY (CONTINUED).

*** Market Off-Peak Prices**

Market Off-Peak Prices (MOPP_{Day}), in cents per kilowatt-hour, will be determined utilizing the historical daily transaction data of the day-ahead spot-market for the delivery of electric power and energy for the region most closely related to the Company's service territory for the period from 12:00 a.m. to 6:00 a.m. and from 10:00 p.m. to 12:00 a.m. from Monday through Friday, exclusive of days of delivery for which no transaction data is reported. MOPP_{Day} will be determined by averaging the midpoints of the daily trading ranges of the daily transaction data for the previous calendar month available at the time MOPP_{Day} is determined. The MOPP_{Day} will apply to all hours during the period 12:00 a.m. to 6:00 a.m. and from 10:00 p.m. to 12:00 a.m. of each day (Market Off-Peak Period). A Weekend Adjustment Factor (WAF) will be applied to MOPP_{Day} for each weekend day or holiday. The WAF will be determined with the same two years of PJM West Price data utilized in determining MPPH_{Hr} and will be recalculated annually when such data are updated. The WAF will be calculated as the average of the PJM West Price data for all hours of the Market Off-Peak Period on weekends or holidays divided by the average of the PJM West Price data for all hours during the Market Off-Peak Period for all days not including weekends or holidays.

The Company will use the Power Markets Week's *Daily Price Report*, or such one or more similar reporting service(s) as are proposed by the Company and approved by the Illinois Commerce Commission, as the source of this daily transaction data.

PRICE NOTIFICATION AND RESPONSIBILITIES.

The Company will electronically post the Hourly Rate HEP prices to a secure web page for access by customers served hereunder on a daily basis by 7:00 p.m. for the following day. The Hourly Rate HEP prices will be in the form of twenty-four hourly prices beginning with the 12:00 a.m. (midnight) to 1:00 a.m. hour of the following day. There will be twenty-three hourly prices for the first Sunday of Central Daylight Savings Time and twenty-five hourly prices for the Sunday of return to Central Standard Time.

The Company is not responsible for a customer's failure or inability to access the Hourly Rate HEP prices for any reason. If a customer cannot access these Hourly Rate HEP prices for any reason, it is the customer's responsibility to inform the Company so that the Hourly Rate HEP prices may be supplied.

TERM OF CONTRACT.

Each customer shall enter into a contract for service under this rate with an initial term of one year. Such contract shall be automatically renewed annually at the end of each twelve-month contract period. After the initial term of service, a customer may terminate service under Rate HEP upon thirty days' written notice to and acceptance by the Company.

Upon such written notice of termination, a Rate HEP customer shall sign a new contract for service under such other applicable rates and riders that it may select and for which it is eligible, and the customer's Rate HEP contract shall be canceled. If a customer terminates service under Rate HEP, that customer is not eligible for service under Rate HEP for a twelve-month period.

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**RATE HEP
HOURLY ENERGY PRICING**

(Continued from Sheet No. 55.75)

GENERAL.

Demand Peak Periods, for purposes hereof, shall be the hours of 9:00 a.m. to 6:00 p.m. on Monday through Friday, except on days on which the following holidays are generally observed: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and, if one of the foregoing holidays occurs on a Tuesday or Thursday, the immediately preceding Monday or immediately following Friday, respectively. Demand Off-Peak Periods shall be all other hours.

For the purposes of determining the appropriate categories as described in the Bill Determination section and the Monthly Access Charge section, the following rules apply. If the customer's Maximum Demand exceeds 10,000 kW in any month during the most recent twelve-month period, including the billing month, the customer's Expected Maximum Demand shall be included in the kW category of 10,000 kW or greater. If the customer's Maximum Demand exceeds 3,000 kW in three of the twelve months preceding the billing month, the customer's Expected Maximum Demand shall be included in the kW category of 3,000 kW or greater. If the customer's Maximum Demand exceeds 1,000 kW in three of the twelve months preceding the billing month, the customer's Expected Maximum Demand shall be included in the kW category of 1,000 or more, but less than 3,000. If the customer's Maximum Demand exceeds 500 kW in three of the twelve months preceding the billing month, the customer's Expected Maximum Demand shall be included in the kW category of 500 or more, but less than 1,000. If the customer's Maximum Demand (a) has not exceeded 2,400 kW in any month of the sixteen-month period preceding the billing month, or (b) has not equaled or exceeded 3,000 kW in any month of the twenty-four-month period preceding the billing month, the customer's Expected Maximum Demand shall be included in the kW category of 1,000 or more, but less than 3,000. If the customer's Maximum Demand (a) has not exceeded 800 kW in any month of the sixteen-month period preceding the billing month, or (b) has not equaled or exceeded 1,000 kW in any month of the twenty-four-month period preceding the billing month, the customer's Expected Maximum Demand shall be included in the kW category of less than 1,000. Furthermore, if the customer's Maximum Demand (a) has not exceeded 400 kW in any month of the sixteen-month period preceding the billing month, or (b) has not equaled or exceeded 500 kW in any month of the twenty-four-month period preceding the billing month, the customer's Expected Maximum Demand shall be included in the kW category of less than 500.

* **[Paragraph Deleted]**

The Schedule of which this rate is a part includes the Company's general Terms and Conditions and Riders. Service hereunder is subject to these Terms and Conditions and the Riders applicable to this rate, except as modified herein. The Terms and Conditions and Riders applicable to this rate include, but are not limited to, all costs associated with rentals, taxes, franchise costs, decommissioning expense adjustment clauses, and local government compliance charges, and the customer is responsible for all such costs, taxes, and charges.

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